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STATE FOR NEA/ELA and EEB/IFD/OMA Brianna Saunders

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SUBJECT: Post Response to Questions on Egyptian Fiscal Transparency

REF: E-mails J. Speaks-K. Allen

1. (U) The following is post's response to request for information regarding Egypt's fiscal transparency:

2. (SBU) Answers to reftel questions:

Q1: Is central government expected to receive funding under the FY 2010 SFOAA ?

A1: Yes.

Q2: Is Egypt's annual national budget available?

A2: Egypt's budget is made public. It is discussed in the parliament and published in newspapers and online on the Ministry of Finance website (www.mof.gov.eg). The Ministry of Finance adopted an international system called GFS-2001 (Government Financial Statistics) prepared by the IMF Statistics Department. In line with this manual, the ministry produces a "fiscal statement" and a "statistical statement" for the state budget that is posted on its website. Defense and research and development budgets are not declared.

Q3: Are incomes and expenditures included in the publicly-available budget?

A3: Some income and expenditure information is included in the Egyptian fiscal budget. Notably missing is data on presidential expenses, military income and expenditures, public enterprises, and the state-owned oil company.

Under Egypt's current financial management framework, accountability and transparency are limited. Egypt has historically ranked poorly on various budget transparency indices, most recently in the International Budget Partnership's Open Budget Index report. While progress has been made in recent years, it still is difficult for average citizens to obtain timely information in an easily readable format about actual versus budgeted expenditures. Year-end reports are not made publicly available in a timely fashion. There is inadequate focus on policies, priorities and performance.

Q4: Post's assessment of the extent to which the publicly-available budget accurately reflects actual government incomes and expenditures.

A4: There has been some improvement in the comprehensiveness of the budget, although there continue to be concerns over the accuracy of the data. The historical sensitivity of the transparency issue and a lack of sound reporting practices may explain shortfalls in transparency. The Government has consolidated many government accounts into a Treasury Single Account (TSA), but many accounts have yet to be consolidated into the TSA. The military and security accounts were never envisioned to be included and it is unlikely that the oil and natural gas accounts will be included either. USAID has supported the Ministry of Finance in designing and procuring an information technology system for the new tax administration system, providing for information exchange with other government entities and web access, as well as increased transparency and control. The USAID program on budget management

ended in 2008 after progress stalled. The unified organic budget law, drafted in 2008 and which would have enhanced transparency, has yet to be passed.

Q5: Have there been any events since the 2009 review that may have affected fiscal transparency?

A5: Since the onset of the global financial crisis, the government has announced three economic stimulus packages totaling LE33 billion (US\$6 billion). Though the government has made public some detail on planned expenditures under the stimulus packages, there has been no detail published on actual expenditures and the sources of the stimulus funds.

12. (U) Post contacts for further information and/or follow-up data requests are Political-Economic Counselor Stephen O'Dowd (O'Dowdsp@state.gov) and Economic Officer John Speaks (speaksjt@state.gov).

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